

FY 2008 Annual Program Performance Measures

DEPARTMENT:

MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

APPROPRIATION UNIT: Workers and Unemployment Compensation

PROGRAM: Workers Compensation Programs

TIMELINE: October 1, 2007 through September 30, 2008

PROGRAM MISSION STATEMENT

The mission of the Workers' Compensation Agency is to efficiently administer the Workers' Disability Compensation Act of Michigan, which includes carrier and employer compliance, timely benefit payments, and the prompt and fair adjudication of claims involving Michigan's injured workers.

PROGRAM STATEMENT

The Workers' Compensation Agency has several major statutory requirements for service to Michigan's workers and employers.

The hearing and adjudication systems within the agency consist of the **Mediation** program, the **Board of Magistrates**, and the **Workers Compensation Appellate Commission** appeal process. The statewide hearing system currently operates with 23 magistrates, 4 mediators and 17 clerical staff. When decisions issued by the Agency and Board are disputed and appealed, the Workers' Compensation Appellate Commission's (WCAC) caseload is created. The WCAC currently operates with 5 commissioners and 6 support staff.

The **Claims Processing Division** provides custody and maintenance of work related injury claim records and supports the mediation and magistrates hearing system. The division operates with 40 total employees. Claims Processing focuses on and satisfies statutory requirements for carrier supplemental benefit reimbursement, rehabilitation issues, custody and maintenance of claims records, agency data technology coordination, and verification of Agency redemption fees. It is the public point of contact for claims issues outside of the hearing system.

The Agency's medical fee cost containment function is performed by the **Health Care Services** staff which currently consists of only 1 employee, a 50% reduction in staff. The Agency administration staff consists of 3 staff members.

The **Insurance Division** operates with a total of 23 employees. The **Employer Records Section** consists of 13 employees who are dedicated to the custody and maintenance of the insurance carrier proof of insurance and cancellation filings. The **Compliance Section** is managed by 4 employees who are dedicated to employer compliance with the statutory insurance requirements. The **Self-Insured Programs Section** consists of 6 employees who oversee the self-insured employer approval process and monitor and evaluate program clients for compliance with the statute and administrative rules.

The **Funds Administration** consists of the Second Injury Fund, Silicosis, Dust Disease & Logging Industry Compensation Fund, and the Self-Insurers' Security Fund. These funds provide timely determination of carrier and employee rights to benefits or reimbursement and make payments due in a timely and accurate manner. The division operates with 27 positions, and is funded 100% by insurers and self-insured employers with no General Fund appropriations.

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Despite reductions in the number of staff, the agency remains vigilant in its responsibilities to deliver quality services to the public in a cost effective manner.

FUND SOURCE:

Workers Compensation Admin. Revolving Fund
State General Funds

LEGAL BASIS:

Workers' Disability Compensation Act of 1969 and Administrative Rules (MCL 418.101 et seq.)

CUSTOMER IDENTIFICATION:

Injured employees, insurance carriers, self-insured employers, self-insured group funds, attorneys, claims representatives, medical providers.

CRITICAL GOALS/MAJOR OBJECTIVES

Program Goals:

- Ensure that employees that have suffered a work related injury are provided correct wage loss replacement, and medical and vocational rehabilitation services during periods of incapacity, and that these benefits are paid timely and accurately.
- Set and serve applications for hearings in a timely manner.
- Provide leadership to carry out a legislative agenda for more efficient regulation and delivery of workers' compensation benefits.
- Provide an informal dispute resolution process for employers, insurance carriers, health care providers, and injured employees through mediation.
- Monitor medical providers' compliance with health care rules to assure that costs of providing health care services remain reasonable.
- Monitor the financial position of all individual and group self-insurers to assure their ability to meet future payment of benefits on a timely basis.
- Maintain a historical record system for the over 200,000 employers subject to the Workers' Disability Compensation Act.
- Monitor and enforce employers' compliance with the requirements for insurance coverage.

PROGRAM EFFECTIVENESS (Current Year)

Program Goals/Metrics

See attached examples and:

- **Per WCRI Report:** CompScope™ Benchmarks: Multistate Comparisons, 9th Edition, January 2009.
"In Michigan, costs per claim were among the lowest of the states studied, 44 percent lower than the median of the 14 states. Lower medical costs per claim, faster return to work, and lower expenses to deliver medical and income benefits to injured workers produced that result. Lower medical prices were the result of both lower prices paid and lower utilization of most medical services. Lower indemnity costs per claim were the result of shorter duration of temporary disability and the statutory benefit structure in Michigan, which produced a lower average weekly temporary disability benefit rate than that produced under the "typical" benefit structure used in most states.

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The study used data from claims from injury years 2001 through 2006, evaluated as of March 31 of each year from 2002 through 2007, from WCRI's Detailed Benchmarking/Evaluation database containing over 25 million claims. The report contains separate state reports for 12 of the 14 study states (California, Florida, Illinois, Louisiana, Maryland, Massachusetts, Michigan, North Carolina, Pennsylvania, Tennessee, Texas, and Wisconsin)."

Performance Measures

See attached charts

Program Improvements Made

- During FY 2008, a total of 595 files were referred to the Funds Administration division for collection of civil fines from employers that allowed their workers' compensation insurance coverage to lapse. The Funds Administration tracks the fines collected by both divisions so that the total collections are accurately reflected. A total of \$444,928.28 was collected on behalf of the division during the year, which was added to the collections in the amount of \$178,854.02 by the Compliance Section, and deposited into the Workers' Compensation Revolving Fund.
- Electronic Data Interchange (EDI) – The agency currently has three insurance groups filing electronically including the Accident Fund which is the largest writer of workers' compensation policies (30%) in Michigan. By early 2009 we anticipate final steps in the EDI process to be complete for this company. Ten other insurance groups, which represent another 25% of the filings received by the agency, are in various stages of "clean up" to initiate the electronic filing process. We hope to have these insurance groups on line by the end of September 2009.
- To ensure the most efficient use of WCA staff time, by reducing the number of unacceptable forms that must be returned to the sender for various reasons (illegibility, incomplete/incorrect form, etc.), letters were mailed to over 1,100 carriers, self-insured employers, and TPA's, re-emphasizing the mandatory requirements for properly submitting documents acceptable to the agency. The agency also posted these requirements, along with sample documents with instructions, on the agency website. As a result of these efforts, the error rate in forms submitted to the Data Management Section has decreased significantly. The percentage of documents that are acceptable when received, upon first submission, has increased from 87% to 96%, an improvement of more than 11,000 documents per year.

PROGRAM IMPROVEMENT PLANS FOR FY09

- Study the current Self-Insured Programs information system to identify necessary changes/improvements and determine viability for future use.

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CHALLENGES FOR FY09 and BEYOND:

- We would like to give carriers the ability to submit several of our claims forms electronically (i.e., Employer's Basic Report of Injury and Notice of Dispute) sometime during 2009 or 2010. However, our systems support staff is still working on recovering claims data that was lost from our automated system in April of 2005. Hopefully, this project will conclude by the middle of 2009. In addition, the number of DIT positions that support our agency's automated system has been reduced from three FTE's to one, so our programming resources are severely limited.
- The agency continually reviews utilization of its field offices to identify cost savings and prudent closings. However, current economic conditions may mean increases in the number of claims filed.
- Penalty and Interest revenues are quickly becoming an issue as funds are drying up. We will need to find another funding source in order to continue operating.
- Continued self-insured staff reduction in relation to the ever increasing number of years monitored create challenges for efficient and effective monitoring of the self-insured program during this time of economic challenges for Michigan.

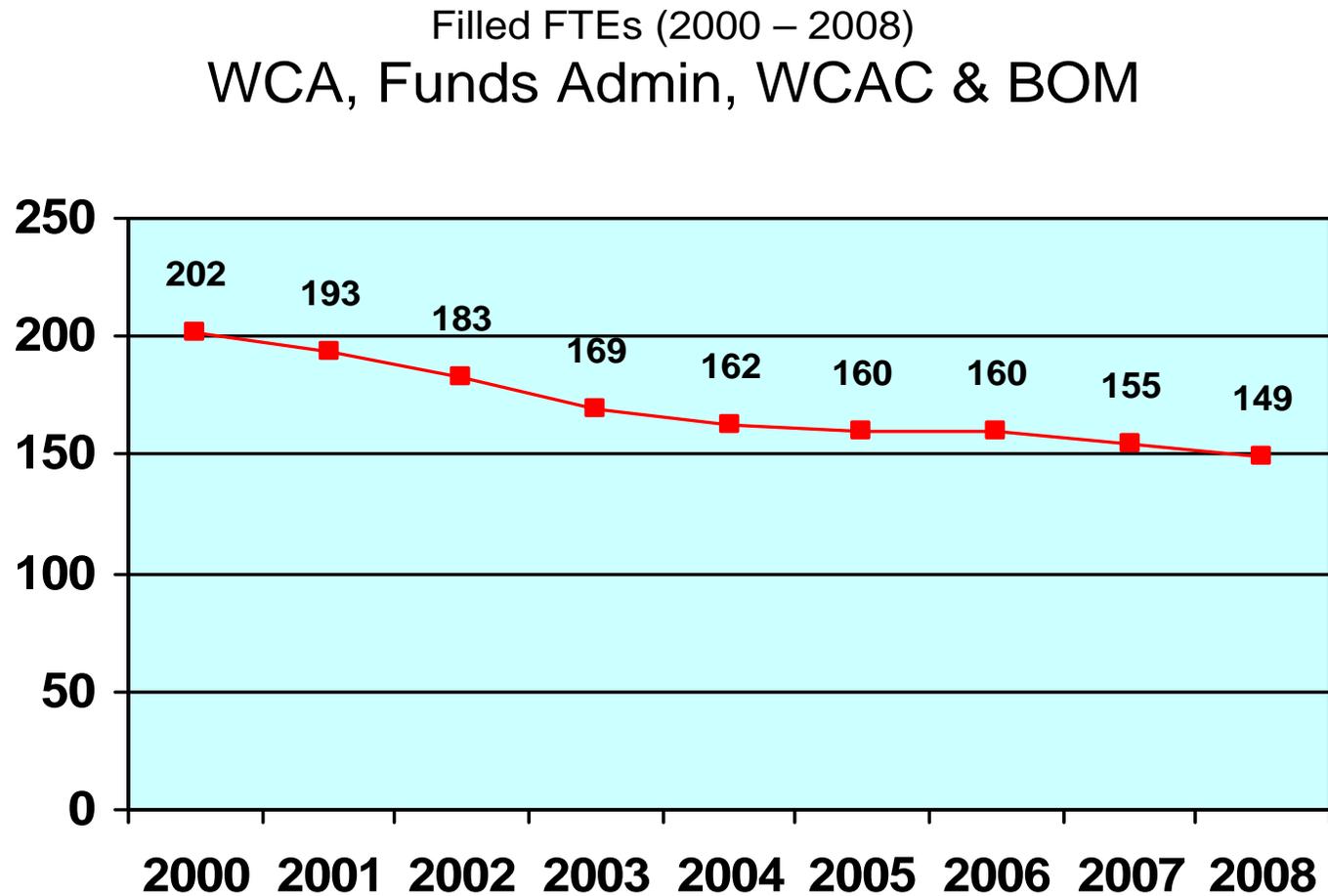
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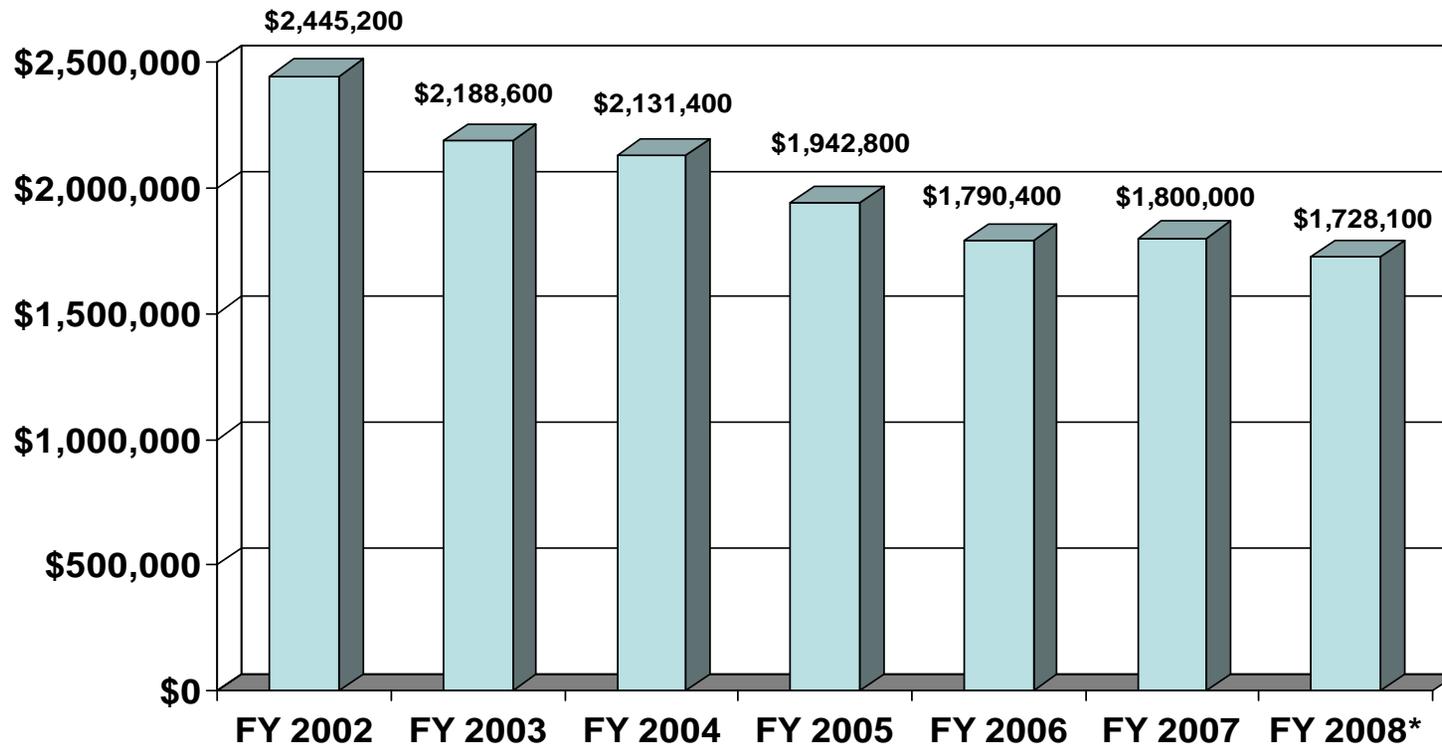
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Redemption Fees Received



* Collected as of 11/1/08, with \$6,500 outstanding.

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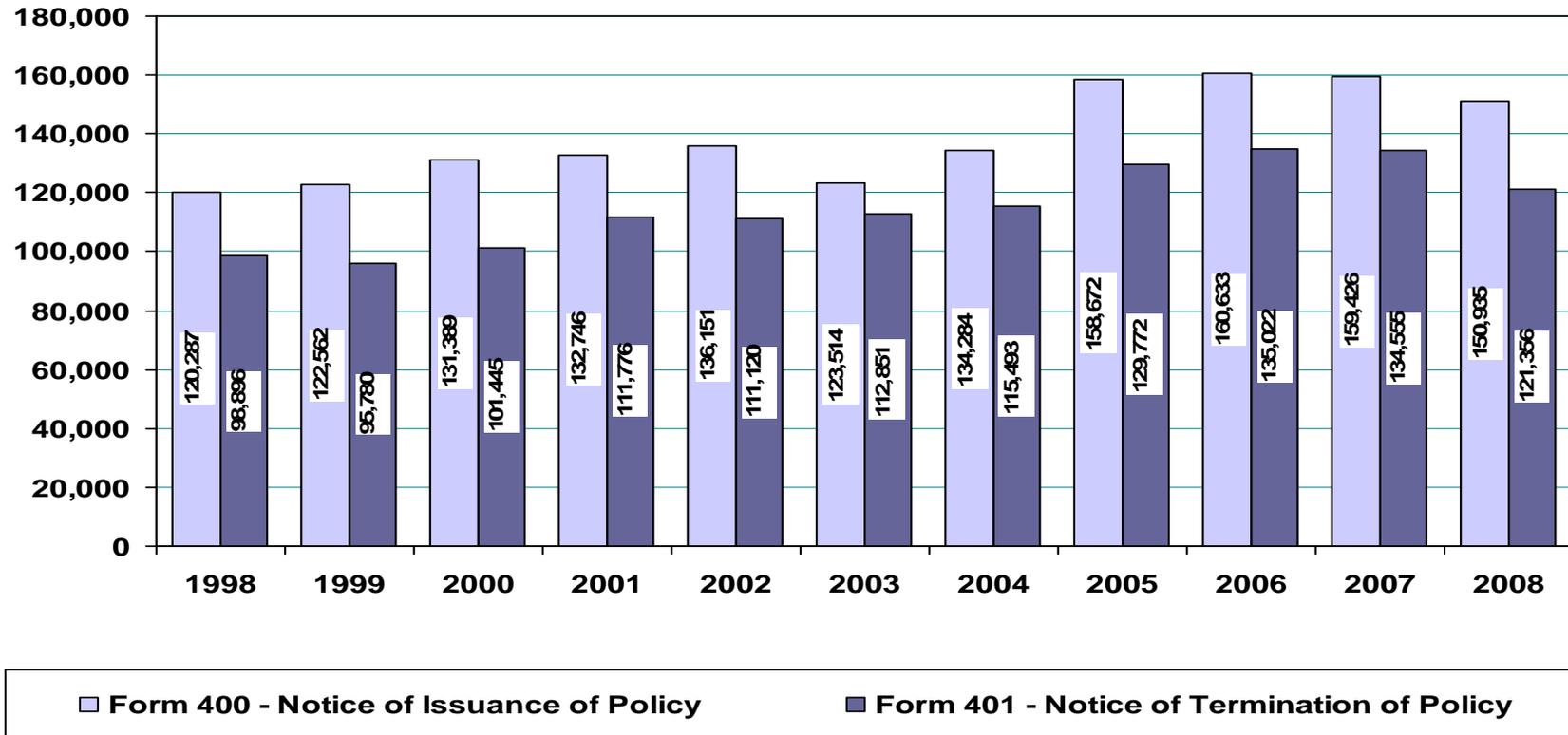
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Forms 400 & 401 Received



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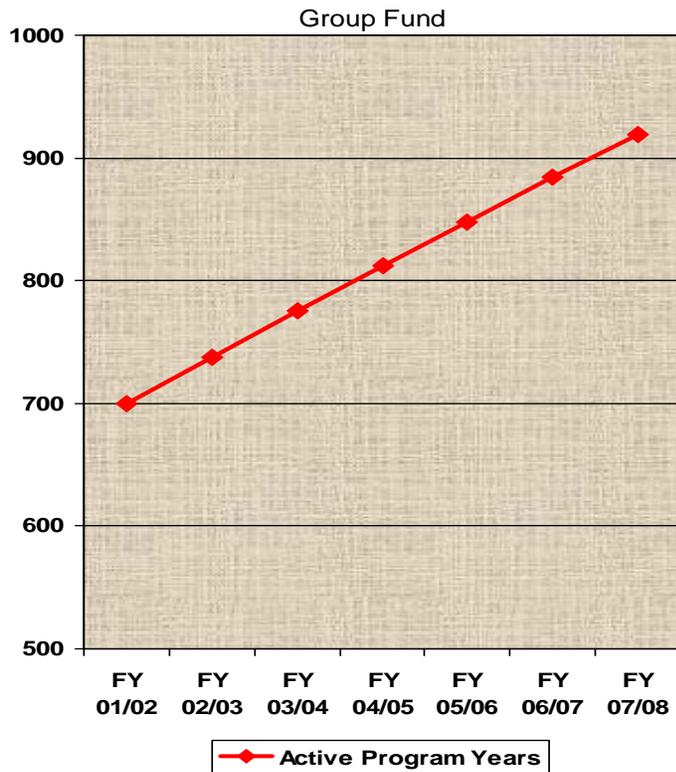
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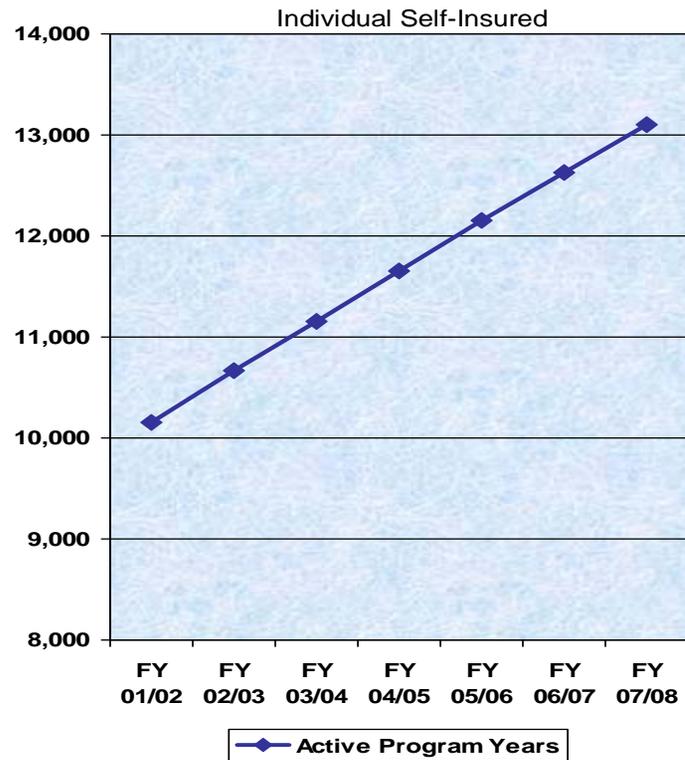
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Historical Work Load



Group Fund Years represent all approved Group Fund individual years of operation monitored and examined for member loss experience, financial solvency, investment restrictions and general compliance with the Workers' Compensation Act.



Individual Self-Insured Years represent all self-insured employer years of operation that are monitored and examined for employer loss experience, potential financial exposure, appropriate excess liability insurance, payment guaranties, security and general compliance with the Workers' Disability Compensation Act of 1969.